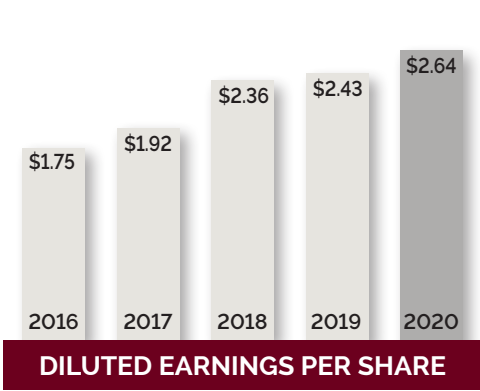


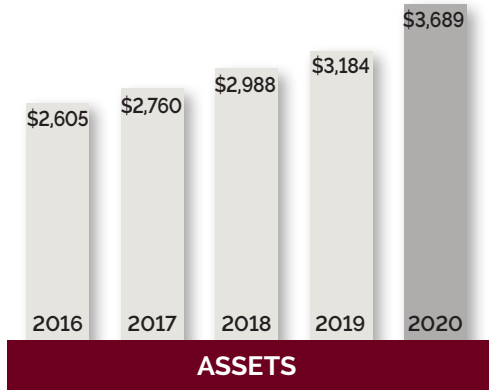


ANNUAL REVIEW

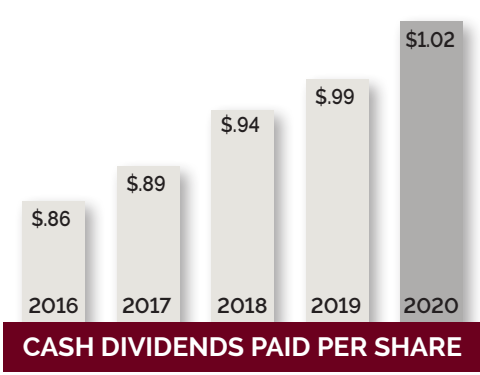
Performance Comparisons



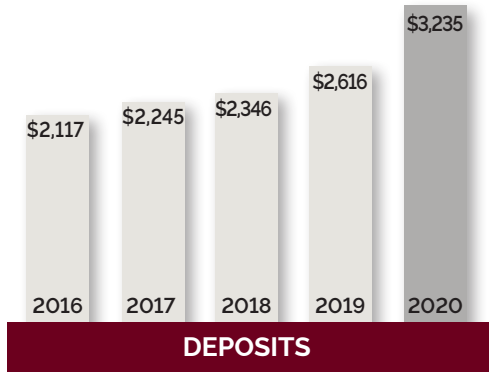
For the 12 Months Ended December 31*



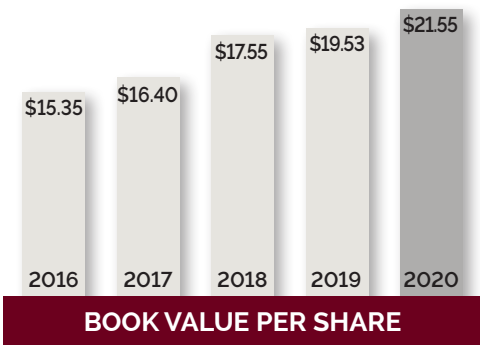
As of December 31
(\$ in Millions)



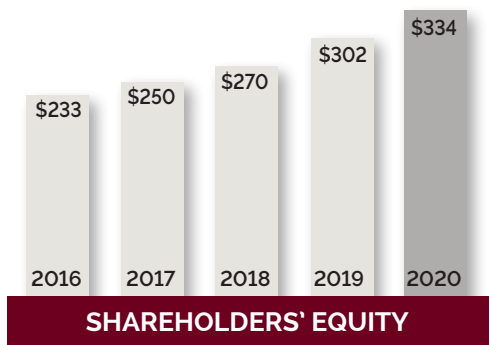
For the 12 Months Ended December 31*



As of December 31
(\$ in Millions)



As of December 31*



As of December 31
(\$ in Millions)

*Per share amounts have been restated for stock dividends distributed.

Fellow Shareholders:



Arrow Financial Corporation remained strong through 2020, rising to meet challenges presented by the COVID-19 pandemic. Through it all, Arrow Financial Corporation and its Family of Companies have been here for our

customers, our employees and the communities we serve.

As we look back, we are proud to have delivered temporary financial assistance, stimulus program support, Paycheck Protection Program loans and charitable contributions when it was most needed. We continued to operate with a focus on health and safety, ensuring that essential banking services were available, even as we were all socially distant.

Additionally, 2020 was a year of continued shareholder value with record earnings, steady growth, sustained profitability and credit quality. Our measured and thoughtful approach keeps us focused on long-term opportunities that will help us maintain our strong organic growth as we continue to face an uncertain future.

Among the highlights from 2020, we:

- Provided PPP loans to more than 1,500 small businesses, allowing them to remain open, or reopen, which helped them pay their employees
- Opened our 12th Saratoga National Bank branch in Latham, New York and optimized our Glens Falls National Bank branch network by consolidating overlapping offices in Queensbury and Greenwich, giving us 40 branches in eight counties within our combined banking network
- Opened a Capital Region Business Development Office in Latham, New York
- Enhanced our customer experience with website upgrades and the formation of a Customer Experience Unit of Retail Banking during these very difficult times

2020 FINANCIAL HIGHLIGHTS

Net Income: \$40.8 million, up 8.9%

Total Loans: \$2.6 billion, up 8.8%

Total Deposits: \$3.2 billion, up 23.6%

Total Assets: \$3.69 billion, up 15.8%

Return on Average Equity: 12.77%

Return on Average Assets: 1.17%

Return on Tangible Equity: 13.78%

Stock Dividend: 3% distributed in Sept.

Current Quarterly Cash Dividend: \$0.26

Book Value Per Share: Increase of 10.3%

Shareholders' Equity: Increase of 10.8%

- Maintained 5-Star "Superior" ratings from BauerFinancial for both Glens Falls National Bank and Saratoga National Bank.
- Gave back almost \$470,000 in charitable contributions and our Arrow Team donated more than 3,300 volunteer hours to our communities.

As these challenging times continue into 2021, I need to thank our Team for their commitment to safety while also demonstrating flexibility in adapting to the changing needs of our customers. The dedication of our Arrow Team is the driving force behind all of our accomplishments. Their passion for improving our customer experience, serving our communities, and delivering value for shareholders keeps us competitive and strong.

Thank you for your investment in Arrow Financial Corporation. We appreciate your trust and support and will continue to work in partnership with you toward creating value for your investment.

Tom Murphy
President and CEO

Consolidated Statements of Income (Unaudited)

Years Ended December 31

(in thousands, except per-share amounts)	2016	2017	2018	2019	2020
Interest and Dividend Income	\$ 76,915	\$ 84,657	\$ 96,503	\$109,759	\$ 111,896
Interest Expense	5,356	7,006	12,485	21,710	12,694
Net Interest Income	71,559	77,651	84,018	88,049	99,202
Provision for Loan Losses	2,033	2,736	2,607	2,079	9,319
Net Interest Income after Provision for Loan Losses	69,526	74,915	81,411	85,970	89,883
Total Noninterest Income	27,832	27,645	28,949	28,555	32,658
Total Noninterest Expense	59,609	62,705	65,055	67,450	70,678
Income Before Taxes	37,749	39,855	45,305	47,075	51,863
Provision for Income Taxes	11,215	10,529	9,026	9,600	11,036
Net Income	\$ 26,534	\$ 29,326	\$ 36,279	\$ 37,475	\$ 40,827
Share and Per Share Data					
Diluted Average Shares					
Outstanding	15,168	15,283	15,370	15,433	15,479
Diluted Earnings Per Share	\$ 1.75	\$ 1.92	\$ 2.36	\$ 2.43	\$ 2.64
Cash Dividends Per Share	\$.86	\$.89	\$.94	\$.99	\$ 1.02
Book Value Per Share	\$ 15.35	\$ 16.40	\$ 17.55	\$ 19.53	\$ 21.55
Tangible Book Value Per Share	\$ 13.73	\$ 14.82	\$ 16.01	\$ 18.01	\$ 20.02
Key Earnings Ratios					
Return on Average Assets	1.06%	1.09%	1.27%	1.24%	1.17%
Return on Average Equity	11.79%	12.14%	13.96%	13.17%	12.77%
Return on Tangible Equity	13.25%	13.51%	15.38%	14.36%	13.78%
Net Interest Margin	3.00%	3.02%	3.07%	3.05%	2.99%
Capital Ratios					
Tier 1 Leverage Ratio	9.47%	9.49%	9.61%	9.98%	9.07%
Total Risk-Based Capital Ratio	15.15%	14.98%	14.86%	14.78%	15.48%
Asset Quality Ratios					
Nonperforming Assets to Period-End Assets	0.28%	0.28%	0.23%	0.18%	0.18%
Allowance for Loan Losses to Period-End Loans	0.97%	0.95%	0.92%	0.89%	1.13%

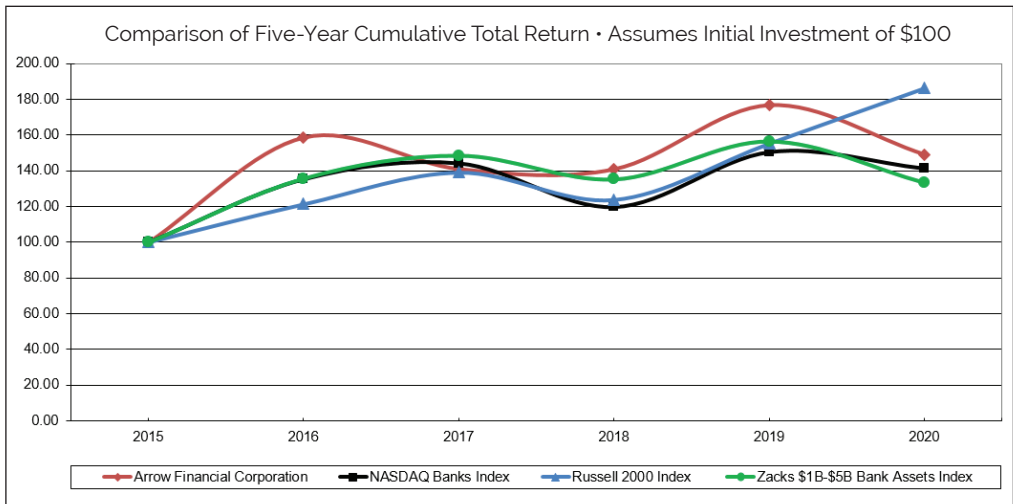
Consolidated Balance Sheets (Unaudited)

As of December 31

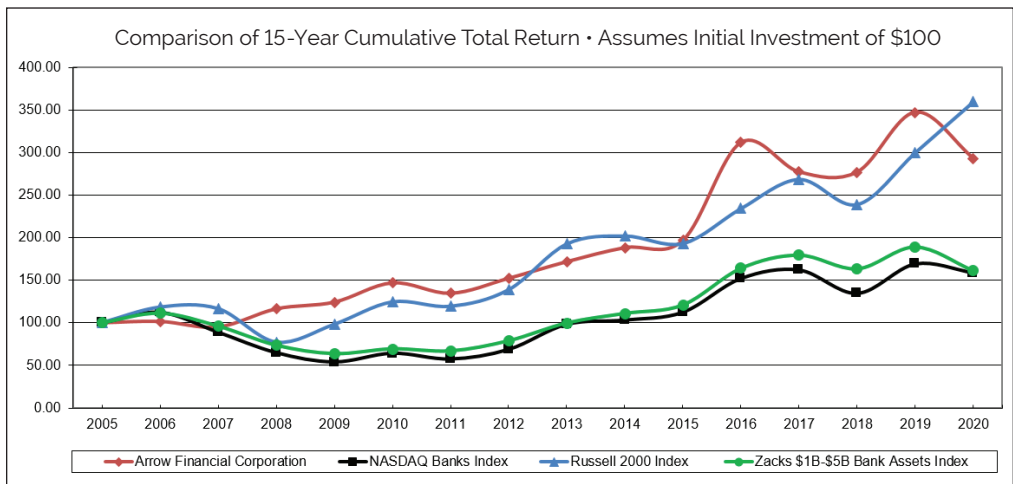
(in thousands)

	2016	2017	2018	2019	2020
Assets					
Cash and Due from Banks	\$ 43,024	\$ 42,562	\$ 56,529	\$ 47,035	\$ 42,116
Interest-Bearing Deposits at Banks	14,331	30,276	27,710	23,186	338,875
Investment Securities	703,335	646,056	618,291	614,779	590,677
Loans	1,753,268	1,950,770	2,196,215	2,386,120	2,595,030
Allowance for Loan Losses	(17,012)	(18,586)	(20,196)	(21,187)	(29,232)
Net Loans	1,736,256	1,932,184	2,176,019	2,364,933	2,565,798
Premises and Equipment, Net	26,938	27,619	30,446	40,629	42,612
Goodwill and Intangible Assets, Net	24,569	24,162	23,725	23,534	23,823
Other Assets	56,789	57,606	55,614	70,179	84,735
Total Assets	\$2,605,242	\$2,760,465	\$2,988,334	\$ 3,184,275	\$3,688,636
Liabilities and Shareholders' Equity					
Noninterest-Bearing Deposits	\$ 387,280	\$ 441,945	\$ 472,768	\$ 484,944	\$ 701,341
Interest-Bearing Checking and Savings Deposits	1,529,953	1,601,888	1,608,829	1,735,789	2,255,792
Time Deposits	199,313	201,283	263,987	395,321	277,593
Total Deposits	2,116,546	2,245,116	2,345,584	2,616,054	3,234,726
Short-Term Borrowings	158,836	169,966	288,659	181,099	17,486
Federal Home Loan Bank Term Advances	55,000	55,000	45,000	30,000	45,000
Other Long-Term Debt	20,000	20,000	20,000	20,000	20,000
Other Liabilities	22,008	20,780	19,507	35,394	37,032
Total Liabilities	2,372,390	2,510,862	2,718,750	2,882,547	3,354,244
Total Shareholders' Equity	232,852	249,603	269,584	301,728	334,392
Total Liabilities and Shareholders' Equity	\$2,605,242	\$2,760,465	\$2,988,334	\$ 3,184,275	\$3,688,636

Total Return Performance



	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Arrow Financial Corporation	100.00	158.47	140.88	140.81	176.56	148.98
NASDAQ Banks Index	100.00	135.40	144.24	119.76	150.57	141.32
Russell 2000 Index	100.00	121.31	139.08	123.76	155.35	186.36
Zacks \$1B-\$5B Bank Assets Index	100.00	135.72	148.54	135.24	156.49	133.30



	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Arrow Financial Corporation	100.00	101.53	95.03	116.30	124.14	146.78	134.55	152.12	171.64	188.10	196.65	311.63	277.05	276.90	347.21	292.97
NASDAQ Banks Index	100.00	112.29	88.87	64.79	53.91	64.11	57.34	68.60	98.18	103.17	112.37	152.14	162.08	134.57	169.18	158.79
Russell 2000 Index	100.00	118.37	116.51	77.14	98.10	124.44	119.24	138.74	192.59	202.01	193.10	234.25	268.57	239.00	300.01	359.89
Zacks \$1B-\$5B Bank Assets Index	100.00	111.25	96.06	73.51	63.62	69.27	66.86	78.77	99.79	111.03	120.98	164.19	179.70	163.61	189.32	161.27

Arrow Financial Corporation

Board of Directors

Thomas L. Hoy (Chairman)

Retired President and CEO
Arrow Financial Corporation/
Glens Falls National Bank

Mark L. Behan

President
Behan Communications, Inc.

Tenée R. Casaccio, AIA

President
JMZ Architects and Planners, PC

Michael B. Clarke

Retired President and CEO
Lone Star Industries

Gary C. Dake

President
Stewart's Shops Corp.

David G. Kruczlnicki

Retired President and CEO
Glens Falls Hospital

Elizabeth A. Miller

President and CEO
Miller Mechanical Services, Inc.

Thomas J. Murphy

President and CEO
Arrow Financial Corporation/
Glens Falls National Bank

Raymond F. O'Connor

Chairman, Retired President and CEO
Saratoga National Bank

William L. Owens, Esq.

Partner
Stafford, Owens, Piller, Murnane,
Kelleher and Trombley, PLLC

Colin L. Read, PhD

Professor of Economics/Finance
SUNY Plattsburgh

Richard J. Reisman, DMD

Chairman - Section of Dentistry
Glens Falls Hospital

Directors Emeriti

Herbert O. Carpenter**John J. Carusone, Jr.****Mary-Elizabeth T. FitzGerald****Herbert A. Heineman, Jr.****Elizabeth O'Connor Little****Michael F. Massiano**

(Chairman Emeritus)

David L. Moynehan**John J. Murphy****Doris E. Ornstein**

Corporate Officers

Thomas J. Murphy

President and CEO

Edward J. Campanella

Senior Vice President,
Treasurer and Chief Financial
Officer

David S. DeMarco

Senior Vice President
and Chief Banking Officer

David D. Kaiser

Senior Vice President
and Chief Credit Officer

Andrew J. Wise

Senior Vice President
and Chief Operating Officer

Shareholder Information

Arrow Stock

Arrow's common stock trades on the NASDAQ Global Select MarketSM under the symbol "AROW."

Dividend Reinvestment Plan

The Arrow Financial Corporation Dividend Reinvestment Plan offers participants a convenient and economical way to acquire common stock of Arrow Financial Corporation without payment of any brokerage commission or service charges.

Participants may reinvest all cash dividends in additional shares as well as make optional cash contributions to buy shares.

Since the Plan is entirely voluntary, you may join at any time and terminate whenever you wish.

For more information, please contact:

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
Tel: (888) 444-0058 or astfinancial.com



ARROW
Financial Corporation

Our Family of Companies

Glens Falls National
Bank and Trust Company

SARATOGA
BANK & TRUST COMPANY
NATIONAL



UPSTATE
AGENCY^{LLC}
INSURANCE

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(518) 745-1000 | arrowfinancial.com